

# ¢ARTELS & CUTTHROAT\$™

## SHORT RULES

### INTRODUCTION

This game is a simulation of the business world. Each player runs a manufacturing company that buys raw material, produces finished goods and sells those finished goods in a competitive market. The object of the game is to earn the most total income. (Shown cumulatively as an increase in "equity" which is your ownership in the company). Each turn is a quarter of a year. The general play sequence is: review last period's performance, make plans for this quarter, implement the plans (enter them into the computer) and then review performance again. Sales (and incomes) are based on how good your plans are in terms of the economy and your competitors. The quality of your plans is in turn influenced by how effectively you use the information you are given in your reports.

### THE SET-UP

After "booting" the diskette, a number of preliminary questions will be asked about the type of game you want and who is going to play. (Consult the game manual if you have any trouble answering these questions). The most important part of this set-up is the scenario for the business environment. This will define the kind of raw material you use, the type of product you produce, and the economic outlook for the next 5 years. There are four types of raw material that vary primarily in the way their prices fluctuate. More crucial to the game is the type of product which can be produced: a luxury, a necessity or a mixed good (halfway between luxury and necessity). The economic outlook includes predictions about inflation, growth of the economy and possible changes (up-turn or down-turn) in that economy. Be sure to make a note of all these conditions before answering "Y" to "Is this acceptable?".

### SUMMARY NEWS WIRE

At this point in each turn, information is given about the economy and your industry (made up of all the companies in the game). Four economic indicators are normally shown throughout this game. They are:

**GNP** — Gross National Product, which indicates the total dollar growth in the economy (including inflation).

**CPI** — Consumer Price Index, which shows the level of inflation.

**PPI** — Purchasing Power Index, an indicator created specifically for this game, giving an indication of the "real" growth in the economy (and the potential market for your products), excluding inflation.

**Prime (Rate)** — the base interest rate on loans taken out during the game.

Besides updating the economic climate, the news wire gives information on topics of interest to your industry. Raw material supplies and prices, government actions, bankruptcy filings, and the results of last quarter's decisions in terms of sales are all presented.

### COMPANY REPORTS

Immediately after the news wire, players individually view their performance reports files. These files consist of five standard reports, memorandums from key officers in your company (as needed) and occasional letters from outside the corporation. You can "page through" the material in your file, noting any items useful in preparing your plans for the current quarter. If you work fast, your decisiveness will be rewarded by slightly increased sales. The five standard reports are: the Profit and Loss Statement, the Balance Sheet (with Ratio and Equity Analyses), the Sales Report, the Production Report and the Market Summary. Each of these reports gives a different view of the performance of your company. Together they offer a wealth of information that can be overwhelming (especially in your first game). However, the important point to consider is that all the information is offered simply to aid you in making your plans. Basically, all you need from the reports is whether or not you are making a profit and how to revise your plans from last quarter to improve your performance this quarter.

Although you should read any memos from your staff that are in the file, pay particular attention to the one from your Finance Director. This is the first memorandum after the reports and it informs you of your total funds available. If you spend more than that amount, you will be declared bankrupt.

### PLANNING

As president of your corporation your job is to make decisions. The items you enter on the planning sheet represent those decisions. They are as follows:

**Raw Material (RM) Purchase:** Here you specify the number of raw material units to be bought at the "going price". Unless some unexpected circumstance arises (like a transport strike) you should receive the material in time for this quarter's production.

**Production:** You specify in this item how many raw material (RM) units to turn into finished goods (FG) units on a one-for-one basis. You may produce up to twice your normal capacity (of 10 units per factory) by paying "time and a half" for all extra production. Costs here depend on the labor rate and the labor units used (automation reduces the labor units required).

**Finished Goods (FG) Price:** Select the price at which you will sell the company's product. The total finished goods available for sale are made up of all units carried over from last period, plus the units produced this period. The importance of price to sales depends on the product type. (Low price is more important for a necessity than a luxury in determining your individual sales.)

**Advertising and Marketing:** Here you decide how much money to invest in "pushing" your product in the marketplace. Typical investments range from \$100 to \$1000 or from 1% to 10% of gross revenues. Such investments carry over slightly from quarter to quarter. (Advertising has more impact for luxuries than for necessities).



**Research and Development:** Money spent on R&D is an investment in creating a research breakthrough. These breakthroughs offer you a chance to invest either in automated equipment to reduce production costs, or in product improvements to increase sales. Two other breakthroughs that do not require any additional funding will either reduce your overhead costs or increase your production capacity. R&D investments compound each quarter to make a breakthrough more likely as long as investments are maintained. Lowering the R&D budget reduces the probability of a breakthrough. (Research breakthroughs are the only way to "differentiate" your product from your competitors'. Such product distinction is more important, in terms of sales, for luxuries than for necessities).

**Loans:** You may obtain loans by entering the dollar amount desired or you can let your finance director obtain them whenever your cash account is overdrawn. To repay a loan, enter a negative number. The interest rate of your loans will be determined by the prime rate with adjustments for your performance.

**Factories:** To buy additional factories, enter the number you want on the planning sheet. To sell factories, enter a negative number. Buying or selling factories requires a quarter for implementation.

**Special Memos:** Send memos to approve expenditures or investments that have been offered to you. Do this by entering the appropriate letter(s) on the special memos line. (For instance, an "A" will approve the purchase of automated equipment only when a breakthrough has been made). If you want to send more than one memo, enter the letters (without separation) on one line.

Although all eight of these decisions are important, only the first three (RM purchase, production and FG price) are essential to the existence of your company — without products to sell, you would not be in business very long. Also, unless you are purchasing enormous amounts of raw materials or buying more than one factory, you do not normally have to worry about how much money you are spending. Just concentrate on your profitability and your finance director will watch the cash flow.

## STRATEGY HINTS

Generally, you should make small changes to your plans from quarter to quarter. Large changes in any of the planning items are less effective than small progressive "improvements".

Since the object of the game is to make profits, you normally mark up your price from cost-per-unit information. However, there are occasions when you sell so few finished goods that your cost per unit sky-rockets. This happens because the operating expense portion of your total costs does not change with the number of units sold. Thus, in some cases you may want to lower your price (even below total costs) in order to sell more units, thereby spreading your operating expense. You will then, hopefully, be reducing your cost per unit to a level below your price.

Since this game is a realistic simulation of the business world, you should expect to have to learn something about economics and business management in order to be successful. Consult the game manual if these instructions were not sufficient. In the long run, however, experience is the best teacher. And after all, IT'S ONLY PLAY MONEY!

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